

Goal One:

A Prepared Workforce

Outcome Goals in this Section

INCREASE EMPLOYMENT, EARNINGS, AND ASSISTANCE

- **Welfare-to-Work**
- **Adult Training Grants**
- **Veterans' Employment and Training Programs**

ASSIST YOUTH IN MAKING THE TRANSITION TO WORK

- **Job Training for Economically Disadvantaged Youth**
- **Job Corps**
- **School-to-Work Initiative**
- **Youth Opportunity Areas Program**

PROVIDE INFORMATION AND TOOLS ABOUT WORK

- **Employment Services Program**
- **Employment Service One-Stop Career Centers**

PROVIDE INFORMATION AND ANALYSIS ON THE U.S. ECONOMY

- **Employment & Unemployment Statistics**
- **Prices and Living Conditions**
- **Compensation & Working Conditions**
- **Productivity & Technology**
- **Employment Projections**

INTRODUCTION

The Department of Labor is committed to creating an environment where those new to the labor force or those wishing to improve their earnings potential are provided the assistance and tools needed to achieve success in today's job market. Also included are the departmental programs directed toward those seeking information for making sound economic decisions.

The Secretary of Labor's key priorities for this strategic goal are to provide opportunities for individuals to obtain the skills necessary to succeed in the global economy, close the employment gap for out-of-school youth, and increase the number of long-term jobs for people as they move from Welfare-to-Work.

Agencies and programs which support this strategic goal include the Employment and Training Administration (ETA); the Employment Service; One-Stop Career Centers; the Welfare-to-Work Jobs Program; Job Training Program Partnership Act (and Work Force Investment Act successor) programs; the Veterans' Employment and Training Service; the Office of the Solicitor of Labor; and the Bureau of Labor Statistics.

ETA and its partners and stakeholders have long accepted the importance of achieving performance goals and increasing customer satisfaction. To this end, we continue moving toward a new workforce development system that provides greater State and local flexibility and, more importantly, provides easier access for all job seekers, employers, and others to get job skills and career information. Information

on the eligibility requirements for programs in the community, testing and assessment services, and help with job searches are also available through the system.

ETA places a high priority on measuring and improving the efficiency and effectiveness of its employment and training programs, and routinely provides feedback to its State and local partners on their performance.

For some time, ETA has been investing in management information which provides information on client characteristics, the services they receive, and the effect of services in terms of employment, earnings, and educational attainments. This information helps to assess progress in achieving program goals, and also to enable States and local programs to compare performance results and set performance benchmarks.

Providing critical performance feedback to States is essential to promoting continuous improvement. Each year Governors have received performance "report cards" on each local JTPA service delivery area which give States an idea of how their programs "stack up" nationally on performance results as well as on those factors that may affect results - the local economy and the client groups being served. Each local program is ranked on each performance measure, giving the State some indication of how much improvement will be needed before a local program is considered to be among the "best in the business."

Although ETA believes it has good performance measures for some of its programs, more needs to be done to provide

valid, reliable data on program outcomes to the Congress and the American taxpayer. An OIG audit and related Federal Manager's Financial Integrity Act reporting have identified the need to improve performance measurement in ETA programs through design and adoption of a system that better fosters accountability, measures return on investment, focuses on outcomes and moves toward fewer--but more cross-cutting--program measures.

ETA's Strategic Plan and Annual Performance Plan for FY 1999 outline the strategies and resources needed to ensure that high-quality performance management and measurement plans are implemented at the Federal, State and local levels. In FY 1998, ETA implemented a Standardized Participant Information Report (SPIR) for Titles II and III of JTPA, initiated a series of pilot studies to identify practical problems associated with using Unemployment Insurance wage record data for performance standards, and developed a list of conceptual measures for assessing system-wide performance. With the enactment of the Workforce Investment Act, which calls for a comprehensive accountability system focusing on results and continuous improvement, agency efforts will be greatly enhanced and in FY 1999 will implement a new reporting and measurement system.

INCREASE EMPLOYMENT, EARNINGS, AND ASSISTANCE

ETA and the Veterans' Employment and Training Service (VETS) operate through a system of State and local public-private partnerships. This system provides employment and training assistance to

disadvantaged, low-income individuals and veterans who have been unsuccessful in forming long term job and career attachments.

EMPLOYMENT AND TRAINING PROGRAMS

The Department oversees and monitors its employment and training programs in partnership with States and local communities through an evolving workforce investment system.

Two programs that address the outcome goal of "increasing employment, earnings, and assistance" are the Welfare-to Work program and the JTPA Adult Training Grants.

WELFARE-TO-WORK

The Welfare to Work Grants program, a two-year program which began in FY 1998, provides grants to States and local communities to provide job opportunities for the hard-to-employ recipients of Temporary Assistance for Needy Families. The goal is to move them into unsubsidized employment, and thus achieve economic self-sufficiency. The program was funded at \$3 billion for FY 1998 and FY 1999 with 75% distributed to States in formula grants and 25% distributed through competitive grants to local governments, Private Industry Councils, and private entities.

In FY 1998, 48 States applied for and received formula grants totaling approximately \$1.03 billion. Six States did not apply. In addition, 51 Competitive Grants were awarded totaling \$199 million.

The balance of FY 1998 competitive grants funds will be awarded in FY 1999.

In FY 1999, approximately \$1.03 billion will be available for State Formula Grants and ETA anticipates providing them to all States which received funding in FY 1998 as well as States applying for the first time. Performance bonus grants (\$100 million) to high performing States will be awarded in FY 2000.

The performance goal for FY 1999 for the Welfare-to-Work program that will contribute to “increased employment, earnings, and assistance” is for *56% of those completing Welfare-to-Work programs to be placed in unsubsidized employment.*

No performance data are currently available for this measure. Since the program is in the very early stages of implementation, States and competitive grantees are just beginning to enroll participants in their program. The first round of financial reports for the Welfare to Work Grants program, including both the formula and competitive grants, will be available in 1999. The elements for the participant reports have been published in the *Federal Register* for comment by the Department of Health and Human Services, which is responsible for the collection of these data for the formula grants portion of the program. The list of elements, which will also be used by DOL for participant reporting in the competitive grants portion of the program, should be finalized in 1999 so that reporting can begin this year.

ADULT TRAINING GRANTS

The Department provides employment and training assistance to eligible disadvantaged,

low-income individuals who have been unsuccessful in forming long-term job and career attachments or who are on welfare, through a system of about 640 local, public-private partnerships (with some State variation for Welfare to Work grants based upon Governors’ discretion).

During Program Year (PY) 1997¹, approximately \$895 million in Federal funds were distributed to State governments for this program. By law, States retain twenty-three percent of the funds for Statewide activities and distribute the balance to the 640+ Service Delivery Areas (SDAs). These programs offer basic skills and job training and support services.

For PY 1997, 66% of adult trainees were employed one quarter after program exit. Average weekly earnings at follow-up were \$322 in PY 1997. The performance goal for FY 1999 for the Adult Training Grants program that will contribute to “increased employment, earnings, and assistance” is for *64% of JTPA adult disadvantaged trainees to be employed one quarter after program exit with average weekly earnings of \$292.* FY 1999 funds finance activities during the program year beginning July, 1999 and ending June 2000. The FY 1999 goals were based on PY 1996 experience, the last full year for which data were available at the time 1999 goals were established, and will need to be reconsidered to reflect greater than expected accomplishments during PY

¹Most employment and training programs are forward-funded on a program year basis. Appropriations are made nine months in advance of their availability. This report provides information for Program Year 1997 which began in July 1997 and ended in June 1998.

1997.

VETERANS' EMPLOYMENT AND TRAINING PROGRAMS

The Department of Labor develops and promotes training and employment opportunities for the Nation's veterans with special emphasis placed on assisting disabled and Vietnam era veterans. To help accomplish these goals, the Department administers two major veterans' programs through the Veterans' Employment and Training Service (VETS): the Disabled Veterans' Outreach Program (DVOP) and the Local Veterans' Employment Representative (LVER) program. In Fiscal Year 1998, \$157 million was available to State Employment Security Agencies

(SESAs) for staffing these two programs. These funds were sufficient to fund about 1,413 DVOP and 1,309 LVER (Full time or half time) positions. The Department also ensures SESAs' compliance with statutory mandates requiring priority be given to veterans for all services.

For FY 1998, the performance goal for grantees in the DVOP, and the LVER program, in conjunction with the Job Training Partnership Act, Title IV-C

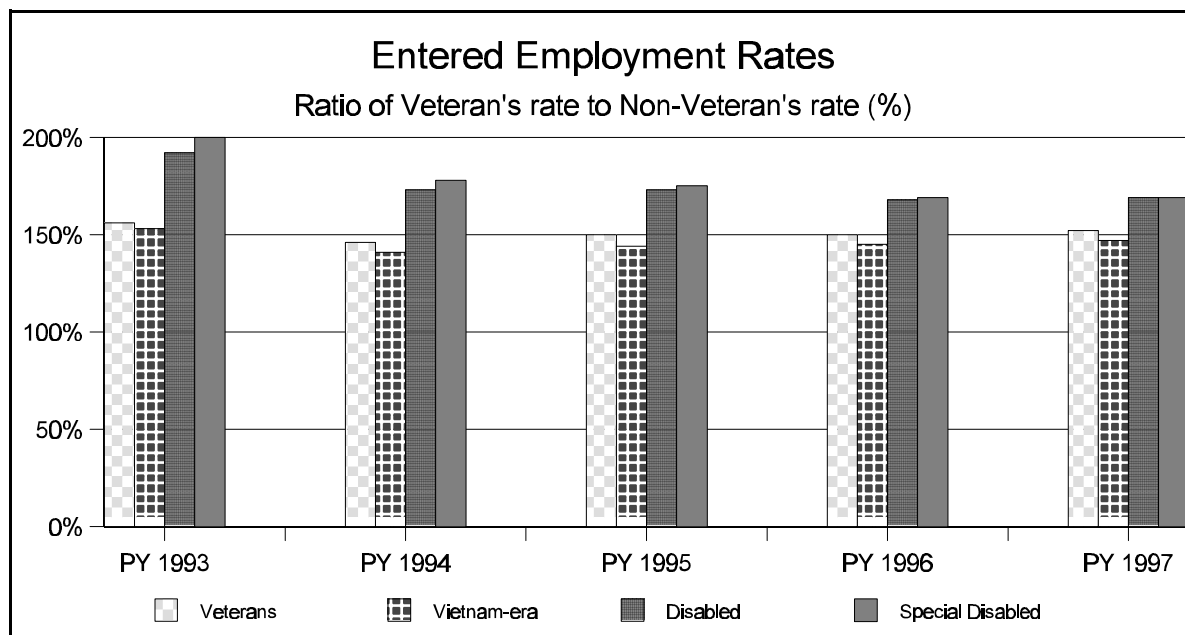


Figure 1 *Emphasis is placed on getting jobs for harder to serve veterans such as disabled veterans, who have a significantly higher unemployment rate than other veterans and non-veterans. VETS is effective in assisting all populations of veterans, as the chart demonstrates, by securing employment at a rate greater than 150% that of non-veterans.*

VETERANS UNEMPLOYMENT BY CATEGORY

Group	Baseline	Number Unemployed	% Unemployed	1997 Data Unemployed	% Unemployed
Special Disabled Veterans	BLS Vets Survey 1995	17,000	6.7%	23,000	5.7%
Disabled	BLS Survey 1995	43,000	4.5%	44,000	4.0%
Female Veterans	Annual Avgs 1996	43,000	5.9%	36,000	5%
Black Veterans	"	104,000	6.8%	80,000	5.5%
Hispanic Veterans	"	25,000	4.2%	28,000	4.7%
Native American	BLS Annual CPS Survey CY 1996	8,000	5.4%	11,000	8.2%
Asian American	"	11,000	5.9%	7,000	4.0%
Young (Age 20-24)	Annual Avgs 1996	13,000	9.1%	10,000	9.1%

program (JTPA IV-C), and the Homeless Veterans' Reintegration Project (HVRP) was to help 308,000 veterans find jobs. These grantee staff helped approximately 297,000 veterans into jobs during the program year. The primary reason that the actual number was lower than the planned goal was due to a reduction in the number of DVOP/LVER staff available to serve veterans.

The mandate that requires SESAs to provide priority service to veterans augments the number of jobs provided by the DVOP and LVER programs. In the year ending June 30, 1998, this priority translated into more than 492,000 veterans being helped into jobs. This includes the 297,000 veterans cited above.

In Program Year 1997, State Employment Service (Job Service) agencies, including the DVOP/LVER staff, registered 1.85 million veterans. A noteworthy accomplishment is

the continuing relatively high proportion of special disabled veterans helped into jobs, 29.5% versus 28.2% in the previous year, which exceeds the entered employment rate achieved for all veterans, 26.6% versus 25.1% in the previous year.

In addition to the continuing priority given to service-connected disabled veterans, a specific performance goal for VETS is to reduce National unemployment totals for veterans who are female, black, Hispanic, Native American, Asian-American, young (age 20-24), special disabled and disabled, and economically disadvantaged by at least 5% through FY 2002. Unemployment data for 1997 (displayed above) shows which of these groups had lower unemployment numbers than the baseline year. VETS will pay particular attention to unemployment rates for these groups in the coming year, and will modify guidance to SESAs to increase emphasis on services to these groups.

TO ASSIST YOUTH IN MAKING THE TRANSITION TO WORK

A variety of interventions address basic and intensive education, training, career preparation and job needs of primarily disadvantaged youth and low-income youth, but also in-school youth needing to prepare for the world of work. The goal of these programs is employment in jobs that will provide a long-term career path, to return youth to complete education programs already started or advance their education, or to provide job and work related skills that will prepare youth for the rapidly changing labor market.

DOL programs addressing the outcome goal of “assisting youth in making the transition to work” are the JTPA Title II-C Youth Training Grants; the Job Corps program, the School-to-Work initiative; and the Youth Opportunity Areas program.

JOB TRAINING FOR ECONOMICALLY DISADVANTAGED YOUTH

During PY 1997, ending June 30, 1998, approximately \$ 126.7 million in Federal funds were distributed to State governments to provide training and other services to economically disadvantaged youth. By law, States retain 18% of the Youth funds for Statewide activities, and distribute the balance to the 640+ Service Delivery Areas (SDAs). These programs offer basic skills, job training, and support services.

The Entered Employment Rate for youth exiting from the JTPA Title II-C program in PY 1997 was 55%.

The performance goal for FY 1999 for the JTPA Title II-C Youth Training Grants program that will contribute to “assisting youth in making the transition to work” is for 77% of JTPA Title II-C trainees to be employed or obtain advanced education or job skills.

In the upcoming year, the Department will be developing a short-term strategy to maximize coordination among the current ETA programs serving out-of-school youth to effectively utilize shrinking resources and foster arrangements under new workforce development legislation. Beginning July 1, 1999, States may elect to continue to operate programs under the Job Training Partnership Act or may begin under the Workforce Investment Act. Special emphasis will also include placing youth into private sector employment or returning them back to school by employing a variety of approaches to job training, including on-the-job training, occupational training based on successful models, and work experience programs. Local areas will have discretion about the combinations of job training and job development strategies.

JOB CORPS

The Department of Labor’s Job Corps program is a highly intensive, primarily residential training program for severely disadvantaged youth aged 16 through 24. Enrollees are offered housing, food, medical care, education, vocational training and supportive services. The program prepares youth for stable, productive employment,

and/or entrance into vocational and technical schools, junior colleges and other institutions for further education and training.

In PY 1997, \$1.154 billion was available to fund Job Corps centers; of this amount, a total of \$137.6 million was transferred to the Departments of Agriculture and Interior to operate 18 and 10 Job Corps Centers, respectively.

Job Corps utilizes a highly structured and integrated performance measurement system to drive the performance of its contractors toward meeting the program results which translate into positive outcomes for the students served by the program. In PY 1997, 80% of all Job Corps trainees either entered employment or pursued further education. The average starting wage of Job Corps students who entered employment was \$6.58 per hour. The PY 1997 performance compares favorably with the PY 1995 baseline for Job Corps which established that 75% of Job Corps trainees got jobs or pursued education and that for those with jobs, the average wage was \$5.98.

The performance goal for PY 1999 for the Job Corps program which support the Secretary's broad goal for a Prepared Workforce is that *75% of Job Corps trainees would obtain employment or advanced education upon leaving the program, and those obtaining jobs would have an average starting wage of \$6.50 per hour. These goals will be reconsidered given the higher expected 1997 results.*

For FY 1999, DOL is committed to increasing employer connections with Job

Corps students through offers of customized training, use of mentors and job shadowing, and provision of work-based learning sites. Increasing students' use of technology in training and in information access for jobs or further education is another area of emphasis in the upcoming year.

Job Corps' Real and Personal Property

In past years, financial statement audits have reported numerous issues related to ETA's accounting of Job Corps' real and personal property. The systems used by ETA consist of manual spreadsheets, which are updated and recorded in the general ledger at year end only and are not reconcilable to the cost reports submitted by Job Corps' contractors. In FY 1999, ETA plans to implement and integrate the construction-in-progress module into the Departmentwide Capitalized Asset Tracking and Reporting System, resulting in a fully integrated subsidiary ledger supporting the Department's general ledger.

The ETA staff is addressing OIG audit recommendations to improve the effectiveness of the Job Corps experience for disadvantaged youth and to maintain effective GPRA program measurement. The Job Corps' Student Payroll and Management Information System has greatly improved the accuracy and efficiency of the payment process and is a reliable base for trainee information.

SCHOOL-TO-WORK (STW) INITIATIVE

The School-to-Work Opportunities Act established a national framework within which all States can create statewide School-to-Work Opportunities systems for students

to participate in a performance-based education and training program that prepares them for high-skill, high-wage careers. The STW initiative provides venture capital to support States in building a STW system.

In FY 1998, the STW initiative was funded at \$200 million through the DOL and \$200 million through the Department of Education. As of September 30, 1998, all 50 States, the District of Columbia and Puerto Rico have been awarded multi-year School-to-Work grants to implement STW systems that comply with the criteria embodied in the STW legislation. For PY 1996, ending June 30, 1997 (the most recent available data), 1,265,549 secondary school students were participating in STW programs – activities that integrate academic and vocational/work-related curriculum. This performance exceeded the baseline of 700,000 students engaged in STW activities in PY 1995.

The STW performance goal for FY 1999 is *to engage 1.5 million youth in School-to-Work activities.*

Since the inception of this program, DOL, together with the Department of Education have provided assistance to State and local partnerships and expanded employer participation by working with the National Employer Leadership Council and other groups. In FY 1999, the two Departments will be focusing on five key areas: (1) risk management including intensive site visits to all STW grantees; (2) in-depth technical

assistance; (3) ensuring sustainability of investments; (4) benchmarking performance; and (5) developing public outreach strategies, particularly ones that are targeted to parents.

A significant amount of staff time will be devoted to assisting grantee efforts to increase employer involvement in STW and

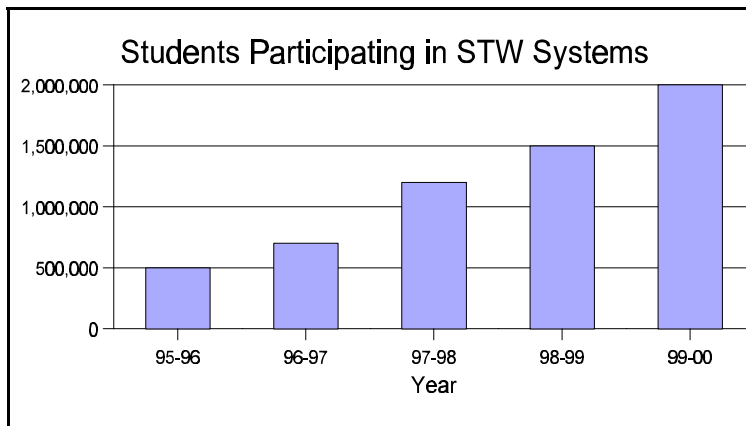


Figure 2 Between 1995-96 and 1997-98, student participation in STW activities rose 40 percent. Data for 1997-98 and beyond are projected.

to conduct outreach activities to out-of-school youth. Investments will also be targeted to strengthening the linkages between STW and other Federal initiatives such as welfare reform and newly designed State workforce investment systems. Additionally, the electronic America's Career Kit software (AJB, ATB, ACIN, Learning Exchange and O*NET) will be customized to support the special needs of the out-of-school youth population.

YOUTH OPPORTUNITY AREAS PROGRAM

The Youth Opportunity Program is a Secretarial initiative under Title IV-D of JTPA scheduled to begin in 1999. It is anticipated that 15 to 20 grants will be awarded in the first quarter of PY 1999 in an effort to reduce the pervasive joblessness of youth in high poverty areas and to close the employment gap between minority and other youth. Technical assistance and evaluation will also be integral parts of this broadly-based initiative.

The FY99 performance goal for the Youth Opportunities program is for 25,000 youth to be served in Youth Opportunity Areas during the initial year of program operations. Since FY 1999 will be the first year of operation of the Youth Opportunity Area program, there are no related data for establishing a baseline; and it is anticipated that FY 1999 performance will be used to establish a baseline for out years.

TO PROVIDE INFORMATION AND TOOLS ABOUT WORK

The One-Stop Career Centers are designed to transform a fragmented array of employment and training programs and services into an integrated and information-rich service delivery system. One-Stop transformation means that individual offices offer all the business lines or "core services" to its customers (i.e., labor exchange services, income maintenance, job search assistance, individual intensive services, training and labor market information). The Workforce Investment Act reforms this nation's workforce preparation and employment system by enabling customers to obtain access to information and services

through the "one-stop" centers. DOL also plans to make efforts to ensure that women, mostly mothers who are on public assistance, transition successfully into the workplace by increasing the availability of information to working women, employers, and public and private organizations to assist them in developing the most efficient workforce development initiatives.

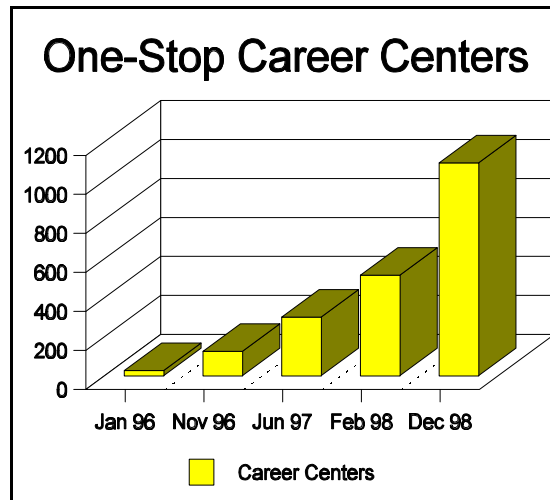


Figure 6 *Development of One-Stop Career Centers*

EMPLOYMENT SERVICE PROGRAM

The Employment Service (ES) program seeks to match individuals seeking employment with employers seeking workers. It is funded primarily through Federal unemployment taxes paid into the Unemployment Trust Fund. The fifty states, the District of Columbia, Puerto Rico, the Virgin Islands, and Guam operate ES programs under the authority of the Wagner-Peyser Act, as amended in the Workforce Investment Act of 1998. State Employment Services also administer programs such as the Alien Labor Certification program and

the Work Opportunity Tax Credit through reimbursement agreements with the Department of Labor. In PY 1997, States received \$761.7 million for ES operations. This funding level remained unchanged from PY 1996.

During PY 1997, the number of individuals entering employment increased by 1.1% to 3.3 million. The number of applicants seeking employment services fell to 17.8 million in PY 1997 from 18.4 million in PY 1996. This is likely due to a tight labor market, nationwide, and greater use of America's Job Bank by individuals.

Employers posted many more jobs with the States' ES offices in PY 1997 than in the previous program year, an increase of 8.6% to 6.5 million. The Electronic Labor Exchange is becoming an increasingly important part of the labor exchange system, with employers listing 1,585,145 jobs on America's Job Bank via the Internet during PY 1997. The total of 8.1 million job postings is an increase of 15.7 % over the PY 1996/FY 1997 baseline of 7 million jobs.

Performance goals for FY 1999 for ES programs that will contribute to "providing information and tools about work" are:

- *to increase the number of individuals entering employment after receiving labor exchange services beyond registration by 1%, and*
- *to increase the number of total job openings listed with the public employment service by 20 %.*

EMPLOYMENT SERVICE/ONE-STOP CAREER CENTERS

The Employment Service/One Stop system is designed to transform a fragmented array of employment and training programs into an integrated information-job service delivery system, a basic component of the evolving workforce investment system. One-Stop transformation means that individual offices offer all the business lines or "core services" to their customers. Under the new Workforce Investment Act, this One-Stop service delivery will unify numerous training, education and employment programs into a single, customer-friendly system. The Department views the One-Stop and America's Labor Market Information System (ALMIS) investments as critical contributions to the early success of the implementation of the Act.

The budget for One-Stop Career Centers and America's Labor Market Information System (ALMIS) for PY 1998 was \$150 million. All States have now been awarded One-Stop implementation grants.

Data shows the goal of operating 1,000 One-Stop Career Centers was met in PY 1998. A reporting system is currently being designed to address the *percentage* of local ES and JTPA SDA offices operating One-Stops in the upcoming program year.

In the new Workforce Investment system, each local area is required to establish a One-Stop delivery system to provide customers with information about and access to job training, education and employment services at a single neighborhood location. This goal will be

revised for FY 2000.

TO PROVIDE INFORMATION AND ANALYSIS ON THE U.S. ECONOMY

The Department's Bureau of Labor Statistics (BLS) data plays a large and important role in the development of other Federal statistics including the Gross Domestic Product and other key economic indicators. The Congress, President, Federal Reserve Board, and other executive branch agencies use these statistics in determining national economic policy. BLS data are also used by industry and labor in economic planning and collective bargaining and by other public and private institutions in a variety of planning and analytical activities. In addition, BLS data directly affect the economy. For example, the Consumer Price Index is used to adjust Social Security and Federal civilian and military retirement payments.

EMPLOYMENT AND UNEMPLOYMENT STATISTICS

The goal of the Employment and Unemployment Statistics program is to analyze and publish accurate data on the labor force, employment and unemployment, and persons not in the labor force; labor market developments;

characteristics of special worker groups, including displaced workers; and detailed employment and wage data by occupation and industry. The Employment and Unemployment Statistics program also maintains an up-to-date "universe" file of establishments covered by the State Unemployment Insurance system, which the Department of Labor uses to select samples for its establishment-based surveys.

In 1998, the Current Employment Statistics (CES) program completed the first year of a

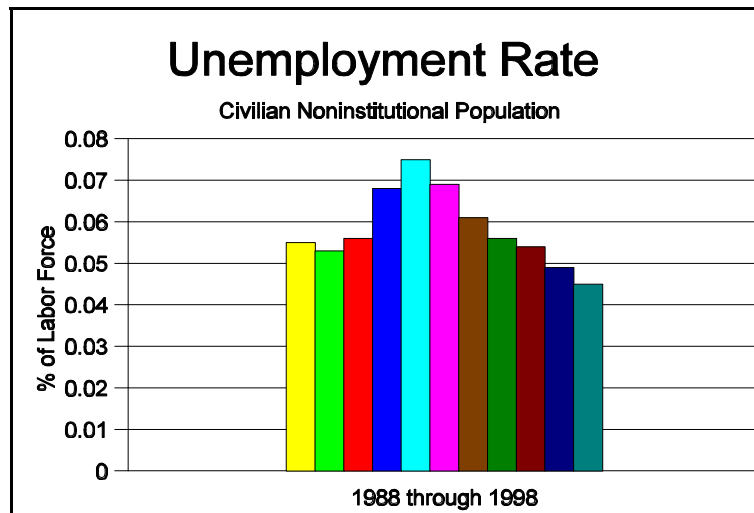


Figure 4 *The unemployment rate for the civilian noninstitutional population is one of the numerous statistics that the Bureau of Labor Statistics produces.*

production test designed to begin the implementation of an improved, probability-based sample design and estimation formulas. The new design, which will be phased in for publication purposes over the next several years, will improve the reliability of the employment, hours, and earnings estimates from the CES.

The Department of Labor continued implementing the standard industrial classification revision known as the North American Industry Classification System (NAICS).

PRICES AND LIVING CONDITIONS

The goals of the Prices and Living Conditions programs are to develop and to publish comprehensive measures of price change in retail and primary markets, and to conduct research to improve the measurement process. The data provide the essential elements to analyze price behavior and interpret price change throughout the U.S. economy. In 1998, the BLS continued work on five major projects in the seven-year revision of the Consumer Price Index and began implementing a multi-year effort to improve the timeliness and accuracy of the Consumer Price Index.

COMPENSATION AND WORKING CONDITIONS

The goals of the Compensation and Working Conditions program are: to study employee compensation using a broad range of data on workers' wages and salaries in many occupations, industries, and geographic areas; to develop information on employee benefits and the costs employers incur in providing those benefits; to compile statistics on the occurrence of work-related occupational injuries and illnesses; and to publish data on collective bargaining and labor management relations.

In 1998, considerable progress was made toward the goal of integrating three existing compensation surveys — the Occupational

Compensation Survey Program, the Employment Cost Index, and the Employee Benefits Survey — into a single survey program, the National Compensation Survey (NCS).

PRODUCTIVITY AND TECHNOLOGY

The goals of the Productivity and Technology program are, in the domestic area, to measure and analyze productivity trends in major sectors of the economy and in individual industries; and, in the international area, to develop comparable measures of productivity, labor force, employment and unemployment, hourly compensation costs, and other economic indicators for selected countries.

EMPLOYMENT PROJECTIONS

The goals of the Employment Projections program are to develop information about the labor market 10 years into the future, including labor force trends by sex, race, and age; employment trends by industry and occupation; and the implications of these trends on employment opportunities and education and training needs for youth and other specific groups in the population.

In 1998, the Department of Labor completed and published 1996-2006 projections of the labor force, economic trends, and employment by industry and occupation. The 1998-1999 editions of the Occupational Outlook Handbook and the Career Guide to Industries were also completed and published

GRANTS AND CONTRACT MANAGEMENT

The majority of job training programs are managed as grants to State governments or other private entities. Following are some improvements planned for managing the grant process based on OIG findings and recommendations.

Accounting for Grants

ETA Grant Accounting

Audit findings noted the following deficiencies for ETA grant accounting:

- ETA does not have written grant accounting procedures for use at the regional offices. This has resulted in inefficiencies and procedural errors in the grant accounting function.
- There continues to be a lack of timely recording of grantee and contractor cost information
- ETA regional offices do not consistently reconcile cash transactions recorded in the Department of Health and Human Services' Payment Management System with those recorded in ETA's Grant and Contract Management Information System (GCMIS), despite the fact that instructions requiring such reconciliations were issued by the Office of Regional Management in prior years.
- The OIG noted inappropriate cost adjustments recorded in GCMIS, and adjustments which were not sufficiently supported. In certain cases, entries were recorded to make costs equal payments, even though a

cost report for the amount recorded was not received from the grantee. In other cases, large negative adjustments were inappropriately recorded in GCMIS.

ETA, in collaboration with the OCFO, will not invest further in GCMIS to make it Y2k compliant. Instead, it will use the Department's central accounting system for day to day financial management of program funds it oversees. This effort will incorporate a review of accounting procedures, including grant and contract cost reporting and cost reconciliation.

Accrued Costs

In prior years, the OIG made recommendations to ETA regarding the method and timing of its accrual for costs incurred but not yet reported by grantees and contractors. While ETA revised its accrual methodology, this revision was made only to the year-end entry rather than to the automated accruals booked throughout the year. Further, ETA has not developed a process to periodically review and refine the accrual methodology, and to ensure that the methodology applied is based on current information and relationships between actual costs and payments.

Grant Closeout Process

JTPA grants were not closed out in accordance with applicable regulations (29 CFR § 97.50(b)) and departmental policy. ETA has invested significant time and effort in revising its grant closeout tracking system; however, several areas remain to be corrected. Finally, although ETA has made progress in reducing a backlog of open grants and contracts, the agency recognizes

that there is still a large number of grants and contracts which need to be closed.